



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

Capitol Plaza Building, PO Box 40912 • Olympia, Washington 98504-0912 • (360) 570-6100

April 10, 2004

TO: Senator Lisa Brown, Chair
Senator Joseph Zarelli
Representative Jack Cairnes
Representative Jim McIntire
Marty Brown, OFM, Director
Will Rice, DOR, Director

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: April 10, 2004 REVENUE COLLECTION REPORT

After a weak performance last month, General Fund-State (GFS) collections rebounded in the March 11-April 10, 2004 collection period. GFS tax receipts total \$715.2 million for the month. This was 9.2 percent higher than the same month a year-ago and \$21.5 million above the forecast for the month. All major revenue sources exceed the forecast, with estate tax, Revenue Act (retail sales, business & occupation, use and public utility taxes) receipts, real estate excise tax and state property tax payments accounting for the majority of this month's strength. Estate tax was especially strong this month, accounting for nearly half of the variance and a lot of the growth. Higher than expected collections this period more than offsets last month's shortfall. For the two months since the February forecast GFS collections are \$7.3 million, 0.5 percent above the forecast. Economic news was also positive. The U.S. economy added 308,000 jobs in March, the largest increase since March of 2000. While the economy has added jobs for seven consecutive months, prior to March the increases were disappointingly small. The March number and upward revisions to January and February are signs that the weakness in the labor market may be abating. The Washington economy also added jobs in March. The increase in March is the third consecutive month of employment gains in the state. Both the employment numbers and revenue collections to date indicate that the February 2004 forecast is pretty much on track.

Revenue Act receipts were \$4.5 million, 0.7 percent, more than the estimate for the month. Collections this period primarily reflect February 2004 business activity of monthly taxpayers. After increasing only 0.8 percent last month, Revenue Act receipts were up 5.8 in the March 11-April 10 period after adjusting for new legislation and special factors. Revenue Act collections have grown 4.8 percent or better three of the last four months and the increase this month was the best gain since September. For the fiscal year-to-date, Revenue Act receipts are 3.7 percent higher than a year-ago. The rebound this month strengthens the case that last month's weakness was more due to bad weather than to less of a willingness to spend by consumers or business. While the growth of Revenue Act receipts was solid this month it was only a little better than

expected and was not sufficient to offset last month's shortfall. In the two months since the February forecast Revenue Act receipts, which are the revenue sources most closely tied to economic performance, remain a little (\$12.4 million) less than expected despite an overall positive variance.

Preliminary data on tax payments of about 9,600 large taxpayers who filed electronically for the current month show a strong retail trade sector. The data shows tax payments by retailers up 7.8 for the period, after only a 4.2 percent increase last. All three-digit retail NAICS sectors, with the exception of gas stations and convenience stores, increased this month. Furniture and home furnishing stores, building equipment/garden equipment retailers and apparel and accessory retailers reported double digit increases for the period. Tax payments by motor vehicle and parts retailers were also strong, up 9.3 percent. Outside retailing, activity was weak but improving. For the month, tax payments by non-retailers in this sample increased 3.4 percent. Last month tax payments by non-retailers declined 0.2 percent. Utilities were strong, with tax payments 11.4 percent higher than a year ago. Other major non retailing sectors with strong gains include: management, education and health services (+15.2 percent), the information sector (+6.9 percent), the construction sector (+5.2 percent), the manufacturing sector (+9.6 percent), the transportation and warehousing sector (+11.7 percent) and accommodations and food service (+10.6 percent). Non-retail trade sectors reporting declines include: finance and insurance (-14.9 percent), the arts, entertainment, and recreation sector (-15.9 percent) and the wholesale trade sector (-3.8 percent).

Non-Revenue Act General Fund taxes collected by the Department of Revenue were \$16.8 million above the estimate for the month. All major taxes in this group were up for the month. Estate tax (\$+9.8 million), real estate excise tax (+\$3.1 million), and property tax (+\$2.3 million) accounted for the majority of the positive variance for the month. For the two months since the February forecast Non-Revenue Act taxes are \$19.6 million higher than the forecast, with estate, real estate excise and property tax receipts, again, accounting for the majority of the cumulative variance. Estate and property tax receipts are quite volatile on a monthly basis and some of the strength in the last two months may be offset by weaker than expected collections in the months ahead.

Real estate activity (closings in February which reflect tax payments to the state in March) increased 7.9 percent. Last month activity declined 0.3 percent. The increase was solely due to strong prices. The average price per transactions increased 10.6 percent in February. The number of real estate transactions fell 2.4 percent last month and have declined three of the last four months.

Department of Licensing General Fund-State collections, which primarily reflect various license fees, were \$221,000 above the estimate for the month. Cumulative, Department of Licensing GFS revenue is \$205,000 more than expected.

The attached Table 1 provides a comparison of collections with the February 2004 forecast for the March 11 – April 10, 2004 collection period and cumulatively since the February 2004 forecast. Table II compares revised collections figures to the preliminary numbers reported in last month's collection report.

CMS: cg

Attachments

TABLE 1
Revenue Collection Report
April 10, 2004 Collections Compared to the February 2004 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u> <u>Percent</u>
March 11 - April 10, 2004				
Department of Revenue-Total	\$693,045	\$714,334	\$21,289	3.1%
Revenue Act** (1)	622,839	627,300	4,461	0.7%
Non-Revenue Act(2)	70,207	87,034	16,828	24.0%
Liquor Sales/Liter	6,770	7,050	280	4.1%
Cigarette	4,091	4,676	586	14.3%
Property (State School Levy)	18,381	20,715	2,333	12.7%
Estate	5,974	15,822	9,849	164.9%
Real Estate Excise	30,030	33,164	3,133	10.4%
Timber (state share)	0	0	0	NA
Other	4,961	5,608	647	13.0%
Department of Licensing (2)	657	878	221	33.7%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$693,702	\$715,213	\$21,510	3.1%
Cumulative Variance Since the February 2004 Forecast (Feb. 11, 2004 - April 10, 2004)				
Department of Revenue-Total	\$1,358,338	1,365,482	7,144	0.5%
Revenue Act** (3)	1,221,716	1,209,283	(12,433)	-1.0%
Non-Revenue Act(4)	136,622	156,199	19,577	14.3%
Liquor Sales/Liter	13,704	14,601	897	6.5%
Cigarette	8,630	8,897	267	3.1%
Property (State School Levy)	24,114	26,593	2,479	10.3%
Estate	12,803	21,900	9,097	71.1%
Real Estate Excise	60,832	65,577	4,745	7.8%
Timber (state share)	1,943	2,432	489	25.2%
Other	14,595	16,199	1,604	11.0%
Department of Licensing (4)	1,219	1,424	205	16.8%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$1,359,558	\$1,366,907	\$7,349	0.5%

1 Collections March 11 - April 10, 2004. Collections primarily reflect February 2004 activity of monthly taxpayers.

2 March 1-31, 2004 collections.

3 Cumulative collections, estimates and variance since the February 2004 forecast; (February 11 - April 10, 2004) and revisions to history.

4 Cumulative collections, estimates and variance since the February forecast; (February & March 2004) and revisions to history.

5 Lottery transfers to the General Fund

* Based on the February 2004 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

TABLE 2
March 10, 2004 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
February 11- March 10, 2004				
Department of Revenue-Total	\$651,148	\$651,148	(\$0)	-0.0%
Revenue Act (1)	581,983	581,983	(0)	-0.0%
Non-Revenue Act(2)	69,165	69,165	(0)	-0.0%
Liquor Sales/Liter	7,551	7,551	0	0.0%
Cigarette	4,221	4,221	(0)	-0.0%
Property (State School Levy)-net	5,878	5,878	0	0.0%
Property tax collections	5,878	5,878	0	0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	6,077	6,077	0	0.0%
Real Estate Excise	32,414	32,414	(0)	-0.0%
Timber (state share)	2,432	2,432	0	NA
Other	10,591	10,591	0	0.0%
Department of Licensing (2)	608	490	(118)	-19.4%
Lottery (2)	0	0	0	NA
Total General Fund-State***	651,756	651,638	(\$118)	-0.0%

Cumulative Receipts: February 11 - March 10, 2004 & Revisions to History

Department of Revenue-Total	651,148	\$651,148	(\$0)	-0.0%
Revenue Act (3)	581,983	581,983	(0)	-0.0%
Non-Revenue Act(4)	69,165	69,165	(0)	-0.0%
Liquor Sales/Liter	7,551	7,551	0	0.0%
Cigarette	4,221	4,221	(0)	-0.0%
Property (State School Levy)-net after transfer	5,884	5,878	(6)	-0.1%
Property tax collections	5,884	5,878	(6)	-0.1%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	6,077	6,077	0	0.0%
Real Estate Excise	32,414	32,414	(0)	-0.0%
Timber (state share)	2,432	2,432	0	NA
Other	10,585	10,591	6	0.1%
Department of Licensing (4)	593	561	(32)	-5.4%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$651,741	\$651,709	(\$32)	-0.0%

Preliminary. Reported in the March 10, 2004 collection report.

1 Collections February 11 - March 10, 2004. Collections primarily reflect January 2004 business activity of monthly taxpayers.

2 February 1-29, 2004 collections.

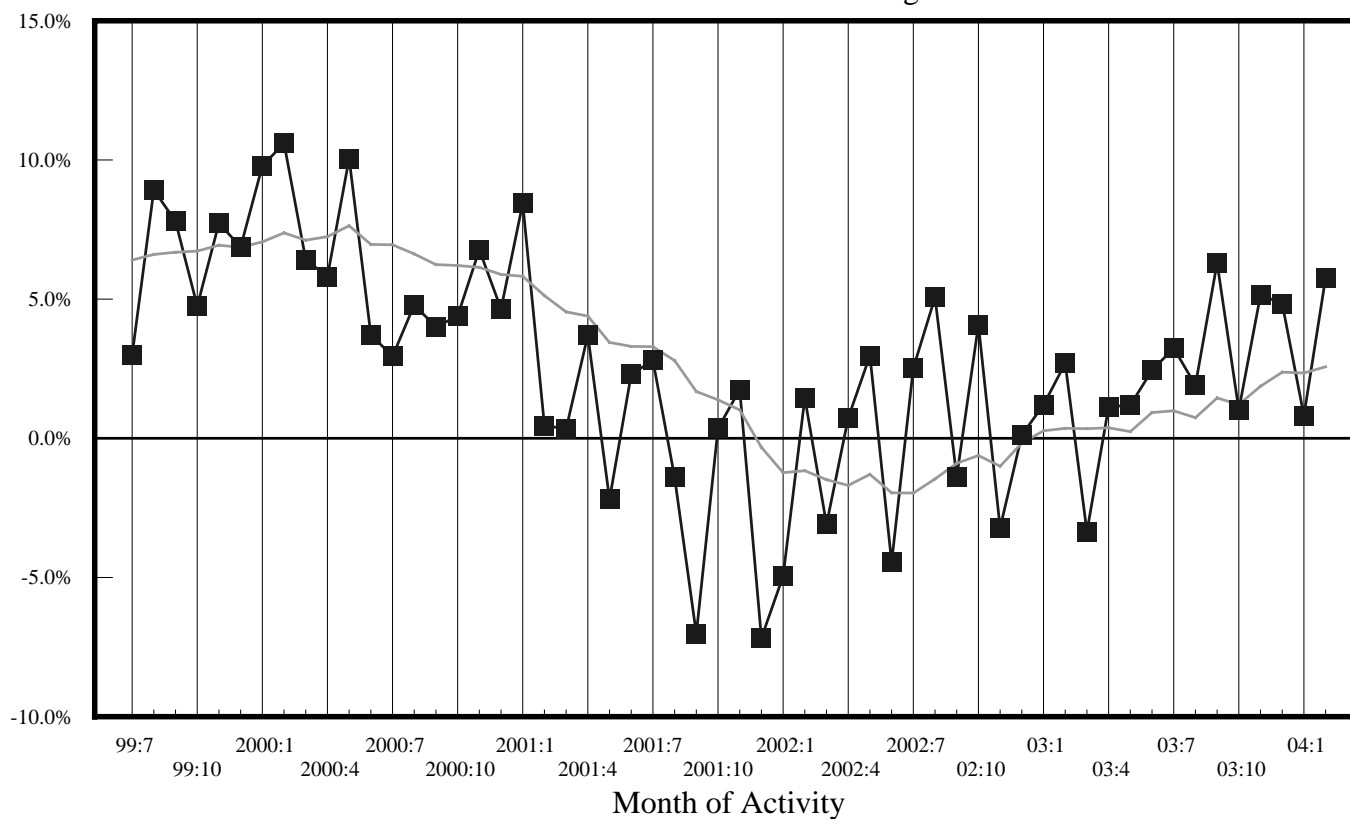
3 Cumulative receipts since the February 2004 forecast: February 11- March 10,2004 & revisions to history.

4 Cumulative receipts since the February 2004 forecast (February) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

Revenue Act Net Collections*

Year-over-Year Percent Change



■ %CH from year-ago month

— %change: 12 month moving average

*Adjusted for special factors & new legislation